

In the Matter of the Acquisition of Control
of Blue Cross and Blue Shield United of Wisconsin;
Compcare Health Services Insurance Corporation;
Unity Health Plans Insurance Corporation; United Heartland
Life Insurance Company; United Wisconsin Insurance Company;
and Valley Health Plan, Inc. by WellPoint Health Networks Inc.
and Crossroads Acquisition Corp.,

PROPOSED DECISION

Case No. 03-C28447

Petitioners.

Guenther H. Ruch, Hearing Examiner, Presiding

APPEARANCES

For the Office of the
Commissioner of Insurance:

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Madison, Wisconsin 53702

For the Petitioners:

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Thomas C. Geiser
Executive Vice President and General Counsel
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Other appearances:

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Timothy F. Cullen
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401 W. Michigan Street
Milwaukee, Wisconsin 53203

PRELIMINARY

Pursuant to a Notice of Hearing dated August 19, 2003, a hearing was held at 10:10 a.m. on September 8, 2003, to determine whether the Petitioners' application for approval of the plan for acquisition of control should be granted. Based on the record, the Hearing Examiner makes the following:

PROPOSED FINDINGS OF FACT

(1) WellPoint Health Networks Inc., 1 WellPoint Way, Thousand Oaks, California 91362, is a corporation organized and domiciled in Delaware. Crossroads Acquisition

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Corp., Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, is a stock corporation organized and domiciled in Delaware. (the Petitioners)

(2) Blue Cross and Blue Shield United of Wisconsin, 401 W. Michigan Street, Milwaukee, Wisconsin 53203, is a Wisconsin domestic stock insurance corporation.

(3) Compcare Health Services Insurance Corporation, 20855 Watertown Road, Suite 140, Waukesha, Wisconsin 53186, is a Wisconsin domestic stock insurance corporation.

(4) Unity Health Plans Insurance Corporation, 840 Carolina Street, Sauk City, Wisconsin 53583, is a Wisconsin domestic stock insurance corporation.

(5) United Heartland Life Insurance Company, 12695 W. National Avenue, New Berlin, Wisconsin 53151, is a Wisconsin domestic stock insurance corporation.

(6) United Wisconsin Insurance Company, 12695 W. National Avenue, New Berlin, Wisconsin 53151, is a Wisconsin domestic stock insurance corporation.

(7) Valley Health Plan, Inc., 2270 EastRidge Center, Eau Claire, Wisconsin 54702, is a Wisconsin domestic stock insurance corporation.

(8) Cobalt Corporation, 401 W. Michigan Street, Milwaukee, Wisconsin 53203, is a holding company domiciled in Wisconsin, which presently exercises control of Blue Cross and Blue Shield United of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc.

(9) The Petitioners filed with the Office of the Commissioner of Insurance an application for approval of a plan for a change in control of Blue Cross and Blue Shield United of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc. that would be occasioned by the merger of Cobalt Corporation with and into Crossroads Acquisition Corp., which is a wholly owned subsidiary of Wellpoint Health Networks Inc. (the "Change in Control Plan").

(10) The Petitioners were served with a Notice of Hearing.

(11) The Petitioners fulfilled the filing requirements of s. Ins 40.02, Wis. Adm. Code.

(12) The Change in Control Plan would not violate the law or be contrary to the interests of any of the following Wisconsin domestic insurers or their respective

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policyholders: Blue Cross and Blue Shield United of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc. In addition, the Change in Control Plan would not be contrary to the interests of the Wisconsin policyholders of the following nondomestic insurers licensed in Wisconsin: UNICARE Life & Health Insurance Company and Healthy Alliance Life Insurance Company.

(13) Upon the Change in Control Plan becoming effective, none of the following insurers will experience a change that would cause any one of them to become unable to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed:

- a. Blue Cross and Blue Shield United of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc., each a Wisconsin domestic stock insurer; and
- b. UNICARE Life & Health Insurance Company and Healthy Alliance Life Insurance Company, each a nondomestic insurer licensed in Wisconsin and affected by the proposed plan by virtue of its effects upon the holding company system of which each is a member.

(14) The effect of the acquisition of control will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(15) The financial condition of WellPoint Health Networks Inc. and Crossroads Acquisition Corp., each individually, and the holding company system controlled by WellPoint Health Networks Inc., taken as a whole, are not likely to jeopardize the financial stability of any domestic or nondomestic insurer participating in or affected by the Change in Control Plan, or to prejudice the interests of their respective Wisconsin policyholders.

(16) There are no plans or proposals to liquidate any participating domestic insurer or any intermediate holding corporation, to sell their respective assets (other than investment portfolio transactions in the ordinary course of business), to consolidate or merge any participating insurer with any other person, or to make any other material change in their respective businesses, corporate structures, or managements other than described in the Change in Control Plan.

(17) The competence and integrity of the persons who would control the operation of Blue Cross and Blue Shield United of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc., and the nondomestic insurers participating in or affected by the Change in Control Plan are

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such that it is in the interest of the policyholders of these insurers and of the public to permit the proposed plan.

PROPOSED CONCLUSION OF LAW

(18) The proposed findings of fact set forth above establish that the requirements of s. 611.72 and chs. 227 and 617, Wis. Stat., and ch. Ins 40, Wis. Adm. Code, have been satisfied and approval of the plan should be granted.

PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

(19) The Petitioners' request for approval of the Change in Control Plan should be approved.

Dated at Madison, Wisconsin, this 19th day of September, 2003.

Guenther H. Ruch
Hearing Examiner